number of good points and I'll try to be very
brief, but we talked a lot today about the problem
of incumbents opposing change for economic self-
interest reasons. Part of the irony is that their
economic interest is not properly defined. Part of
the problem with narrow definitions, we don't have
this so much in PCS anymore, but in the traditional
use is that in one sense the licensee views the
opportunity costs of the spectrum as zero. To
society, we know it's quite high, but their choice
is I use it for this narrow purpose or I turn it
back to the government. Well, you can imagine then
that inefficient uses endure long beyond new
technologies and so on. Now if you move
flexibility in place and that's why flexibility has
become more and more a part of the Commission's
allocation process, then suddenly the opportunity
costs becomes much larger. Now the PCS operator
thinks about new technologies, thinks about new
uses and now let's transfer this to UHF television.
I'm just going to throw this out for illustration
purposes. What if the Commission initially created
on the 400 megahertz of UHF television 10 40
megahertz nationwide assignments and said okay, and
said okay, we'll have four 10 UHF broadcasters.

Initially, we would have had probably something closer to 10 networks and they would have made all of the internal co-channel and adjacent channel two boot decisions themselves and they would have been internalized and then quess what? Ten years later we decide, let's put flexibility in place on these quys and suddenly they decide that they want to do And that's what we're talking about PCS, okay? We need to put in place incentives that here. channel market forces to move new technology and place it isn't iust uses in and technologies. It's new uses as well. And people, and Victor makes a good point. I mean you can't look at bits per hertz per second or whatever. Bits value are valued differently. Hertz valued differently and so it's a very complicated process.

DR. KOLODZY: Questions?

MR. SNYDER: I'd like to respond to Ed Thomas' inquiry about the policy implications of software-defined radio. I think one of the most important implications is it creates the possibility of having micro licenses. Until now, the FCC has generalized licensed in terms of years or even decades and I think the underlying economic

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reason why that made sense as because of high acid specificity. If you're going to invest a lot of money in the business, you need to get a return. But that whole logic changes with software-defined radio and a lot of the talk on software-defined radio focuses on the receivers rather than the transmitters, but you can have flexibility on the transmitter side as well.

So I guess my question here is what do you think about micro licenses? You can imagine that any incumbent would utterly hate the idea of micro licenses because in effect you're saying well, you're going to buy your license on the free market. I'm talking about a minute by minute license possibly, geographically flexible. It's essentially like saying I'm going to take your license away. We're not moving necessarily to an unlicensed regime --

MS. RATH: Just a little clarification. Who's actually selling the licenses or is it the FCC distributing it or -- how do you determine that?

MR. SNYDER: Well, it could be through the private market. I would suggest that the FCC become an information broker. Instead of making

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2	in a free market environment, it becomes an
3	information broker of licenses, so the FCC
4	distributes micro licenses minute by minute on a
5	bit basis. There are a lot of ideas like this out
6	there, but we separate the equipment business from
7	the ownership of spectrum. And you can imagine why
8	incumbents would dislike micro licenses. So I
9	think that's a major implication. This is not an
10	unlicensed idea, but it's sort of neither the
11	traditional licensing or a license we're here
12	talking about what does the license of the future
13	look like? We talk a lot about interference rights
14	and what not. We're not talking about the time and
15	duration and other things which become possible in
16	the new era.
17	DR. KOLODZY: Next comment? Any other
18	questions?
19	Steve, I'm sorry?
20	MR. SNYDER: I wanted to ask your
21	opinion of micro licenses, if anybody
22	DR. KOLODZY: I'm sorry.
23	MR. SHARKEY: I was actually going to
24	address that. I was going to come back to this,
25	but I mean innovative ways to do licensing, I

these licensing decisions so rarely, it doesn't --

think, is good. I mean the technology is there to
do that type of thing. I think that's good. But
on the economic model, there are a lot of things
that I think that you can do to encourage the
innovation and a lot of ways to encourage it. I
think economics is a great way to do it. And there
are a lot of like four in the PCS band, I think
they've got a lot of economic incentives. I mean
there are some the spectrum has been auctioned.
Not that we're for trends of auctions and what
that does to the cost of spectrum, but that's a
real economic driver for making efficient use of
that. I think applying some sort of economic model
across the board to and more evenly across the
spectrum that's used, whether it's federal
government, commercial or other licensees is a good
way to help drive up that. And the other side is,
I think some of the things that Peter's talking
about too, the carrot of providing incentives to
licensees to be allowed to trade spectrum or
licenses so that it is they realize some
economic gain when they do that.

But you brought up the consideration of infrastructure too. I think that there is a role sometimes for the FCC to take a more directive view

towards things and again, back to FCS where there
was a decision of we're going to move fixed uses
above 3 gigahertz and that that was in everybody's
interest to do to make room for this new service
and the economic interest of those licensees were
taken care of, the costs were paid, so it was a
transaction that worked for them as well as for the
new licensees. I think we're seeing that model
applied. The recent Martin Cave report on making
available 3G spectrum that will, where the
incumbent will be reimbursed for their costs and
for transitioning their systems, I think is a good
one to really make that make implementation of
new services reality while considering the
infrastructure costs being imbedded in
infrastructure.
DR. KOLODZY: Does anyone want to
comment on the micro licensing?
MR. SIDDALL: Actually, I will. I'm
not sure if the software-defined radio, assuming
as the FCC has been going that the equipment and
the software possibilities for it have been

the

procedures at the FCC lab, i.e., the spectrum is

defined in which it can roam and what its power and

device

through

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authorization

antenna gain are, if that's the case, I don't know why you'd need a license and I think if the concept of software-defined radio is followed to its natural end and actually is involved, I think that you will move to more and more unlicensed spectrum structure and there would just be no need for a micro license.

DR. KOLODZY: Bruce?

DR. FETTE: I'd actually like to amplify a little bit on your concept here. First of all, by saying that one has to recognize that whether you call it micro licensing or cost of spectrum, second-order sharing and so forth, there will need to be an infrastructure to support the hand off and the micro transactions associated with that kind of activity and there's a cost for that infrastructure that would be not unlike the cost of the infrastructure we have today for commercial cellular.

So as an alternate, I suggest the concept that we saw in the development of the internet in which the communications infrastructure was essentially a free resource to the development environment with the exception of the cost to the routers that were provided by the government during

those early days and that by providing that free infrastructure, significant evolution of technology created a marketplace today and that in a sense similar sense I think that if software-defined technology results in a commons capability, an RF commons capability that we will see that create an interesting and exciting infrastructure in the future.

Let me point out, I do DR. REED: Yes. think that micro -- at one point in time I was very interested in this idea of micro licensing, as you call it or the idea that somehow one could clear the rights for different kinds of transmissions, rapidly and efficiently. There's a problem with It takes two parts, a technological problem The technological part is and an economic problem. that if we look at the kinds of architectures that lead to the most spectral efficiency, and cellular is kind of a first stage in that, but there's a way to -- a lot farther you can go, the kinds of architectures that support that are what I call cooperative architectures. doesn't That friendly cooperative architectures, necessarily, but architectures where, in fact, messages often carried either on multiple hops or through the

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cooperation of an infrastructure that understands its interference environment and understands what else -- what the rest of the demand is on the shared medium and negotiates to get all the signals through more efficiently. And you can go to my web page and see a lot of details of those kinds of emerging architectures.

architectures Those have enormously better scalability than ones where you have a transmitter transmitting directly to its ultimate The problem with that in economic terms receiver. -- so the micro transactions architecture would much more complicated because to be just clearing the right for one not transmission, but clearing the right for a whole set of cooperative activities that are competing with a whole set of other cooperative activities.

That in economic terms raises the bar. It basically means that if you take the property rights model, every transaction involves not just operating on one person's land, but involves negotiating with nearly everybody in the system. It's what's often referred to as the tragedy of the anti-commons. And the transaction costs tend to go up exponentially in terms of negotiating clearing

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1	to rights when the whole system needs to clear the
2	rights in every round of negotiation. It's not
3	analogous to the stock market. It's just not
4	reasonable to take those architectures and try to
5	map them into peer-wise transactions.
6	So you need a system that self-
7	organizes and does that kind of stuff. Probably
8	won't
9	self-organize around peer-wise transactions
10	efficiently.
11	MR. SNYDER: I have one quick response
12	to that. If the spectrum goes into the existing
13	telecom network, I think you could avoid a lot of
14	the complexity that you're suggesting. I mean it's
15	just that last little section
16	DR. REED: That's basically a short
17	term solution to a specific problem, but if we're
18	talking about the general problem of enabling all
19	kinds of wireless communications, many of which we
20	can't anticipate, then you're basically optimizing
21	for one thing, last-mile bypass, which we optimized
22	for AM radio. Is that the next thing or should we
23	do a more general job?
24	DR. KOLODZY: Okay, I want to get back
25	to the audience a little bit because there were a

lot of questions that were out here a few minutes ago and I don't want to pass that -- Dave, do you want to make a quick comment?

DR. FARBER: Yes, just quick comment. I feel obliged to repeat something I said earlier, that one of the issues in the future is going to be security and I don't mean this just in the national The spectrum is going to be used defense issue. for a lot of applications, most of which we don't understand now, but some of them are going to be critical applications to at least the individual. And unless we design the security into systems, especially software-based systems, going to be in deep, deep trouble, even if our spectrum space is available, so I think we have to pound on that and it's not something that my experience at the FCC says that they worry about all that much.

MR. STROH: My name is Steve Stroh.

I'm editor of "Focus on Broadband Wireless Internet

Access." And one of the things that Chairman

Powell said this morning really struck me. He

would really like to hear concrete proposals for

how we get to the ideal of more of a spectrum

commons model, flexible use and away from the

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private ownership model.

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One thing that strikes me is that Mr. Tawil stated that they had gone down to using 288 megahertz of TV spectrum and what frustrates a lot of the techies and I've watched the 2.4 gigahertz thing band evolve very incredibly, long-range, very high bandwidth, many users, very dense deployments. They're making all that work in 83 megahertz of spectrum with some really onerous rules like very low power and they're making it work in that little chunk of spectrum in a very bad part of the spectrum for things like tree foliage.

The TV broadcasters have a total of 288 megahertz of spectrum available in the prime part of the spectrum and yet in any market, there's a handful of those channels that at most that are in use, 20. I'll be charitable and say 30. Why not evolve a model that lets a radio use the channels that are not being used for broadcasting and the radio has got to have a very specific limitation that it listens on a particular channel and if it hears TV broadcasting it just positively locks that up. There's no possibility of override. The radio just cannot go there if it hears a TV broadcast.

But the 75 percent of the other

channels that aren't in use, that's legal, and it listens on a periodic basis every 10 minutes and that will encompass the ability to hear low powered TV stations, even somebody who's using one of these little rabbit transmitters that transmit on Channel 3 or 4 inside a house, it wouldn't interfere with those. That's a way to get -- that's a way to at least start the transition into a more flexible use model. It's frustrating to hear the idea that that broadcast spectrum can't go there, no way, no how.

MR. TAWIL: Let me answer that one. fact, I didn't say that. I think we're limited obviously if you use less spectrum, we will. there is something called the legacy issue. It's something called a television receiver, you have in your home that when you use your idea, even though I'm transmitting on my 6 megahertz channel and giving you that service, that TV set receives all and guess what, when you put that low transmitter or even if you have five channels, it disrupts that TV set. So the issue is not actually the transmission, it's the reception and for the past 40 years there are no attempt to actually deal with the receiving component of it.

MR. STROH: Wasn't the decision just

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1	yesterday in five years the TV receivers will be
2	required to receive digital and if it's not a
3	digital TV transmission, it simply won't be
4	displayed?
5	MR. TAWIL: That is correct, but guess
6	what, they still haven't decided on what the
7	receiver performance is or what the interference
8	is. It's still the same TV set. You still have
9	the same interference immunity with that spectrum
10	that you have in the analog world.
11	MR. STROH: If an interference is being
12	encountered, isn't that incentive for the TV owner
13	to go buy a new one? If you're interfering with
14	(Laughter.)
15	MR. TAWIL: I'd love them to buy a TV
16	set that actually operates only on the 6 megahertz
17	it transmits and doesn't and leave the other
18	spectrum for other use, but it's not. The issue
19	here is the chicken and egg issue. You're trying
20	to be on the transmitting interference occurs
21	two ways. It occurs because the transmitter is
22	spreading spectrum outside its band or the receiver
23	is not selective enough to deal with the
24	interference.

there's no way you're going to get there. You have to deal with both ends of it to be able -- broadcasters are not against more efficient use of the spectrum. Broadcasters are not against flexibility. What they're against is having -- against disrupting the service and they don't have control over it. That's what they do.

It's something that you would like to move forward and we can go up there. It's an open system. We can't go up there and buy a TV set and give it to the consumer and make sure that it works properly and it's interference-free. That has to be done from the consumer end.

DR. KOLODZY: Bruce?

DR. FETTE: I'd like to observe that again on the subject of software-defined radio, if you recognize that it's conceivable to define wave forms which are sufficiently orthogonal to the video and audio tracks of TV channels that you can define a wave form that is sufficiently orthogonal, that it will not interfere, even with TV sets that have moderately poor design of the RF front end and mixers. In fact, that's a subject of research at this time as to how multiple types of wave forms can be designed which are sufficiently orthogonal

to each other to provide essentially overlapping spectral utilization without interfering with each other.

MR. SIDDALL: I want to address the broadcast issue just briefly, because I think there's a little misunderstanding of what the FCC rules and the statute provides for today.

First of all, TV spectrum is already shared. There are millions of medical devices and hospitals all over the country that are on TV channels, as a matter of fact.

Second of all, there's public safety services in 13 cities around the country that also use certain TV channels, but I'm not here to defend broadcasting at all. But I do think it's important to understand it is in a transition to digital. When that transition is over, there are no more UHF The digital transmission system has been tabus. designed to allow the use of adjacent channels and when the analog turn off, at least when I left the Commission, the intent was that there would be the interstitial channels decisions on whether would be auctioned for broadcast use or for other But we're in the middle of that transition And I think that that is recognized. now. The

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more important public policy issue that is involved is to what extent will the statutory provisions allowing broadcasters flexibility will be implemented. In 1997, Congress amended the Act and provided that broadcasters transmitting a digital signal need only provide one video channel. Otherwise, they have flexibility anything they want within -- that can be provided using that digital system. It's subject to a fee if it's a subscriber based service.

The question is will broadcasters move to that model and use that excess capacity of the digital for other services or is there no excess because the demand and the economic model dictates that they provide high definition which requires They can even provide two high more bit rate. definition channels, signals within the 6 megahertz actually through compression techniques and it will probably be 4 in five years the way compression is And Congress already answered working. question about broadcaster flexibility. So what you see today, don't assume that that is tomorrow. That's been addressed and I think that needs some time to work out.

The other -- because I think there is a

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lot of flexibility built in there for a lot more spectrum efficiency. That was one of the things really addressed and I hope to see that. I just want to put that on the table. The one last comment, because maybe being the second person in this room that has ever put a wire on a receiver from 0 to 2 gigahertz and looked at what's there, I can tell you, I can give you two different results. I can do that right here in this room. You will find 95 percent of the spectrum unused.

to the roof Ι qo up of this building, connect to that log periodic antenna that the Comm's Room uses here at the FCC. And in fact, there is one of these receivers in the Comm's Room right here in the building for those FCC staff that want to look at it and I will show you very heavy spectrum use through most of the spectrum. and it depends where you do it can deceiving these little things.

In cities is where the problem -- I think from a policy standpoint, the better issue to address, the more important issue is rural versus urban. In urban areas when I put a receiver on a decent gain antenna, there's a lot of usage. When I go out into rural areas there's almost no usage

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and to the extent that services are required in rural areas, I think there is a policy issue about trying to make one size fit all.

I was out with some of the FCC folks in Arizona back a couple of years ago and they were talking about bringing cellular service and they laughed because I said look, there's a lot of surplus analog cellular systems out here. You guys don't have phones. Get some of the surplus analog stuff, stick it out here. Yeah, it's a spectrum hog, but spectrum -- you've got all the spectrum you could possibly need. It would actually be a very good thing to do and very cheap to bring phone service all around here. You don't need the digital services to start with perhaps. One size doesn't fit all and I go back to what I said at the beginning. I hoped that the recommendations of the policy force -- policy task force will recognize that in different areas of the country, different policies should apply and for different services, different policies should provide. I'm sorry, but I had to try to set the record straight on what the digital rules are since I was here and had quite a bit to do with them along with a lot of other people sitting in this room.

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MR. VAN WAZER: Hi, my name is Tom Van
Wazer. I work at a private law firm. Following up
on what David said, one of the problems about the
spectrum flexibility that does exist for digital
broadcasters is I don't even think Congress
understands that there's digital flexibility. If
you've read anything in the last two years about
some of the networks' plans to develop their
digital spectrum, any time any one has suggested
that they're going to do something other than
broadcast pictures, they've been punished one way
or another, either by Congress or by others. And
maybe one of the major contributions of this task
force would be to recognize that flexibility needs
to be something that the Commission embraces
everywhere and not make it such a terrible thing to
even think about because if you want companies to
invest in more efficient distributed transmissions
or single frequency networks, etcetera, you need to
have incentive to do so and you can't the
spectrum that's currently allocated to these
companies, not just broadcasters, needs to be
they have to have some incentive to do so and so
flexibility has to be recognized.

The only other point, I've been

interested in watching the debate between Mr. Reed and or the debate or the points that Mr. Farber and Mr. Reed have made versus others about property rights and following up what David said, how he was lamenting the loss of all these research labs and sort of failing to invest everyone is research labs like they were, it seems to me that that's an outgrowth of this what I view at least academic view of the commons that's unlimited, where the sheep bring their own grass. The problem isn't a sufficient incentive for the there to invest in these research labs to companies develop the technology that you're interested in. So I'd like to hear your comment.

DR. REED: Actually, I'll make a quick comment since you addressed it to me.

The return on the kinds of research that I'm talking about is a rich and vigorous equipment market that would -- and what you might call software tools and protocols. What is going on and it's sort of exemplified by the experience of Interval Research which got started on ultrawide band back in 1993 or 1994, and participated by funding a whole lot of policy activity here at the FCC to try to get ultra-wide band addressed,

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Interval also spun off a company, Phantasma which developed а lot of that technology. That company was put out of business because its investors finally said you know, we just can't wait any more. We can't wait for the We're just going to sell off flexibility. assets and so a lot of good people went. The assets were ultimately bought by a company called Xtreme Spectrum so we may see some of that value at some point, but in fact, the investment market is spectrum. Ι really think that's not about make. The investment return important to because someone can hold spectrum and make money on it without ever doing anything unless the FCC takes The investment is in the new it away from them. technology and the pay off is in the equipment.

I would like to also DR. RITTENHOUSE: in general and comment on research Research labs. the industrial particular, continues in the industrial labs, particularly in these types of areas because of the popularity of wireless technologies and trying to investigate, it is done in collaboration now which I think is a very positive thing with a lot of academic labs as well. So instead of expanding a lot of the labs

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and the research in the labs, to the extent that it can collaborate with other labs and academics is a very good thing. So we do get a lot of that sampling now through the collaboration as well.

MR. PITSCH: I wanted to jump and sort of give a spin on your question which is that I think these two approaches, concrete rulemakings, looking at creating noninterfering easements and 5 gigahertz and so on, more commons, and also creating a simultaneous exchange, are complementary One, I've heard some people say for two reasons. well, from the commons side well, we can't do that. That will entrench people and so on. The kind of thing we're talking about, incumbents have got the stuff already, right? And just do a little thought experiment. Imagine your most hide-bound spectrum holder. Don't say names out loud or anything, but now ask yourself will they will be more hide-bound and more inflexible if you give them flexibility or if you keep them the way they are? Okay?

The second point I'd make is that if we move forward on both fronts, on the market-base side we're going to facilitate aggregation, relocation and so on. That's going to make it possible for some of these market-based solutions

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for the new technologies that people are talking 1 2 about. The third point is huge which is that 3 any reduction in scarcity helps both approaches. 4 If the commons approach reduces scarcity, then it 5 becomes easier and the incumbents have less reason 6 to oppose market-base reforms and vice versa and I 7 already suggested that there's a potential benefit 8 to new technologies because if you bet your whole 9 1.0 wad on noninterfering easements or approach, you may be foreclosing in terms of time 11 and efficient result some opportunities that could 12 be pursued on the market front. 13 DR. KOLODZY: That was one heck of a 14 15 question. (Laughter.) 16 DR. FARBER: Well, can I? 17 MS. RATH: Go ahead. 18 stuttering DR. FARBER: I was and 19 sputtering, etcetera with the comment that people 20 structural, in research because don't invest 21 My experience is a lot of whatever it was. 22 companies don't invest in research because it's 23 24 deferrable and when things are tight, they defer

right off the end.

1	The telecommunications industry has
2	done this, not all places, but large numbers of
3	them but I point out just endlessly, that there are
4	companies who see a future and maybe it's the
5	environment they live in, maybe it's other things,
6	but look at DoCoMo which has almost doubled the
7	size of their research lab over the next year. The
8	question is, to use military terms, 6.1., 6.2, or
9	6.3 money is still a question, but the only way
10	you're going to move this field is to do the
11	investment now in basic research which will pay off
12	in 5, 6, 7 years. It's not going to pay off
13	tomorrow, but if you don't do it, it certainly
14	isn't going to pay off.
15	DR. RITTENHOUSE: Fortunately, there
16	are some companies that remain that continue to do
17	the basic research, right.
18	MS. RATH: Actually, one question I had
19	is as I listen to all this, as an industry, is the
20	wireless industry underperforming in terms of its
21	research, development and technological innovation
22	as compared to other industries?
23	DR. FARBER: My own view from some
24	experience, I should give a little bit of
25	experience, I was on AT&T's advisory board for a